Eidgenössische Finanzmarktaufsicht FINMA
Autorité fédérale de surveillance des marchés financiers FINMA
Autorità federale di vigilanza sui mercati finanziari FINMA
Swiss Financial Market Supervisory Authority FINMA

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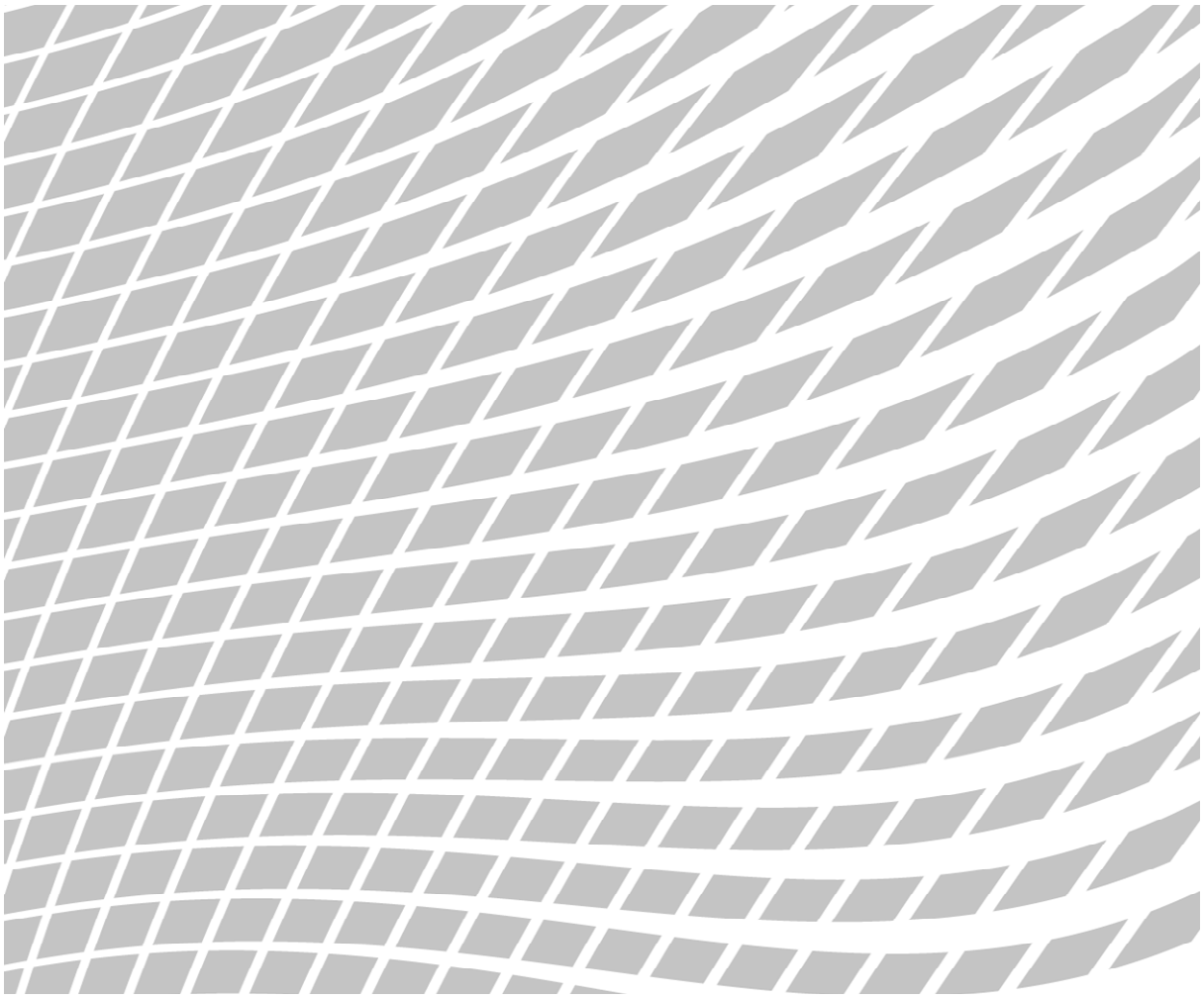
FINMA Circular 2008/21: Operational risks at banks – partial revision

Key points



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Key points

1. Major losses resulting from operational risks encountered during the financial crisis and in recent years have led to a global reassessment of this significant risk area. At the international level, this reassessment has determined the adaption of qualitative regulatory requirements which have subsequently been drawn up by the Basel Committee on Banking Supervision and standardised in its paper "*Principles for the Sound Management of Operational Risk*" issued in June 2011. Quantitative (capital) requirements are not part of the revision of FINMA Circular 2008/21 and thus remain unchanged.

2. The eleven principles of the aforementioned regulatory paper have been set out in six principles in FINMA Circular 2008/21 "Operational risks at banks". Those principles which are particularly relevant to operational risk management, or which have not yet been adequately implemented in other Swiss regulations, have been enlarged upon.

3. The revised circular stipulates that the implementation of qualitative requirements depends on the size of the bank. Small banks and securities dealers in FINMA Category 5 and banks in FINMA Category 4 whose business activities are not notably complex have been exempted from applying certain requirements.

4. In addition to adjusting general qualitative requirements in fully revised Section IV of FINMA Circular 2008/21, it is now also possible to regulate very specific requirements for particular risks by inserting an annex. Moreover, the issue of handling electronic client data is governed in Annex 3, which is a new element of the Circular. Similarly, in future other topics can be dealt with in detail by following the same new structure of the Circular.

5. The new annex (Annex 3) contains nine principles and a number of guidelines on proper risk management related to the confidentiality of data on individuals (private clients) stored in electronic form whose business relationships are conducted from in or outside Switzerland. Those principles mainly deal with incident risks that may occur with regard to the confidentiality of client data stored electronically. Security considerations for physical data and data integrity and availability issues are only touched upon briefly.